

Asian Markets

Wednesday, 02 January 2013

Line-Up For The Week Ahead

- **Data this morning showed Singapore's growth momentum turning positive in 4Q12 and thus avoiding a technical recession.** This was mainly due to the revision in 3Q12 data and rebound in the services sector as growth momentum in manufacturing and construction remained negative. On a y/y basis, 4Q12 GDP growth improved to 1.1% from a revised 0.0% in 3Q12. Full-year 2012 growth was 1.2%. The final 4Q GDP data will be released in Feb.
- **South Korea's Dec HSBC Manufacturing PMI** rebounded into the expansion mode at 50.1 in Dec for the first time in 7 months from 48.2 in Nov. Dec HSBC PMI for Taiwan, Indonesia and India are also due today.
- **Other Asian data** scheduled for the rest of today includes Dec CPI in Indonesia and Thailand as well as Nov trade data in Indonesia. Headline inflation in Indonesia is forecast to edge slightly lower to 4.2% y/y in Dec from 4.3% y/y in Nov while that of Thailand could rise to 3.2% y/y from 2.7% in Nov.
- **For the rest of the week,** we have Singapore's PMI for Dec scheduled on Thur. Singapore's PMI is expected to improve slightly in Dec but likely remains in the contraction mode at below 50. Hong Kong's retail sales growth is forecast to strengthen in Nov on the back of some improvement in seasonal demand. Hong Kong's Dec PMI will be announced on Fri.
- In terms of market holidays, **China and Japan will be closed from 1-3 Jan**, reopening on Fri.

Forex

- **USD was supported on Mon (31 Dec) ahead of the fiscal cliff decisions.** For the whole year, KRW led appreciation in the Asian currencies with gains of 8.3% against USD while PHP rose 6.9% during 2012 and SGD was up 6.1%. Meanwhile, the IDR dropped 7.4% against USD in 2012, weighed down by its current account deficits.
- **For today, USD will remain firm before a decision** later today on the US fiscal cliff.

Foreign Exchange Rates (as of 31 Dec 2012)					
FX	Asian Close	Asian High	Asian Low	NY High	NY Low
SGD	1.2210	1.2235	1.2204	-	-
MYR	3.0570	3.0625	3.0565	-	-
IDR	9630	-	-	-	-
THB	30.67	30.69	30.63	-	-
PHP	40.87	40.95	40.86	-	-
TWD	29.116	29.125	29.056	-	-
KRW	1083.45	1084.40	1083.00	-	-
HKD	7.7500	7.7517	7.7496	-	-
CNY	6.2301	6.2313	6.2267	-	-

UOB's Estimation of SGD NEER (as of 02 Jan 2013) Assuming 2.0% on each side of the pivot point	
Lower-End	1.2562
Upper-End	1.2070
Mid-Point	1.2311

Market Holiday	Date	Event
CN	1-3 Jan	New Year's Day
MY / ID	24 Jan	Birthday of Mohammed
MY	27-28 Jan	Thaipusam Day

Interest Rates	Current	Next CB Meet	UOB's Forecast
SGD 3-Mth SIBOR	0.38%	-	-
MYR O/N Policy Rate	3.00%	31 Jan	3.00%
IDR O/N Rate	5.75%	10 Jan	5.75%
THB 1-Day Repo	2.75%	09 Jan	2.75%
PHP O/N Reverse Repo	3.50%	24 Jan	3.50%
TWD Discount Rate	1.88%	21 Mar	1.88%
KRW Base Rate	2.75%	11 Jan	2.75%
HKD Base Rate	0.50%	-	0.50%
CNY 1-Yr Wking Capital	6.00%	-	6.00%

Stock Indices (as of 31 Dec 2012)	Closing	% chg	ytd % chg
FTSE Straits Times Index	3167.08	-0.77	+0.00
FTSE Bursa Malaysia KLCI Index	1688.95	+0.45	+0.00
Jakarta SE Composite Index	-	-	-
Thailand SET Index	-	-	-
Philippines SE PSEi Index	-	-	-
Taiwan SE Weighted Index	-	-	-
Korea SE KOSPI Index	-	-	-
Hong Kong Hang Seng Index	22656.92	-0.04	+0.00
Shanghai SE Composite Index	2269.13	+1.61	+0.00
India Sensex 30 Index	19426.70	-0.06	+18.16

SGD

- **USD/SGD traded a narrow range of 1.2218-1.2230 during the Asian session on Mon.** The pair traded marginally lower this morning but 4Q12 advanced GDP data likely has limited impact on the currency pair as ongoing negotiations of the US fiscal cliff dominates sentiment. On the trade-weighted basis, SGD NEER is trading at around 0.85% above the midpoint this morning with +/- 1.0% implying USD/SGD range of 1.2170-1.2430 based on current FX levels.

RMB

- **The RMB ended the year with 1% gain at 6.2303/USD on 31 Dec.** This was slightly firmer than Fri's close of 6.2335/USD. With global demand likely to remain weak, we expect another year of modest appreciation for the Chinese currency. We are keeping our USD/RMB forecast at 6.13 at end-2013. China is on holiday today.

Equities

- **Asian equity indexes mostly ended higher on the last day of 2012.** Hang Seng Index ended flat on Mon while Shanghai CI rose 1.6% and the KLCI was up 0.5%. The STI pulled back to end down 0.8% on Mon, recording full-year gain of 19.7%. US stock indexes surged by more than 1% on Mon.

Economic News

- **China's Dec Manufacturing PMI was flat at 50.6, similar to Nov.** With the PMI above the 50 threshold for the third consecutive month, the data is in line with modest upturn in economy in 4Q12.
- **South Korea's Dec exports** contracted by 5.5% y/y after two preceding months of growth (Nov: 3.9% y/y). This was partly due to fewer working days and the presidential election. Imports fell 5.3% y/y vs 0.9% growth in Nov. This brought the trade balance to US\$2.03bn in Dec.

Singapore Focus: Avoiding A Technical Recession In 4Q12

3Q GDP Revised Downward, 4Q GDP grew 1.1%

Singapore narrowly averted a technical recession for a second time in 2012 as 3Q GDP was revised downward from -5.9% q/q saar to -6.3% (in y/y terms, 0.3% to 0.0%). With that, the advance estimates of a 1.1% y/y growth in 4Q implied a growth of 1.8% q/q from 3Q, bringing Singapore away from the dreaded economic term.

The 3Q downward revision came mainly from the manufacturing sector where on-year growth was revised from an already weak -0.9% to -1.6% (in q/q saar terms, -9.6% to -9.9%). The services sector on-year growth was also revised slightly downwards from 0.3% to 0.2% (in q/q saar terms, -3.5% to -3.9%). The revision of both heavy-weights resulted in the flat on-year 3Q growth and implying a deeper 3Q q/q contraction which made the 1.1% y/y growth in 4Q look better.

In the fourth quarter, the manufacturing sector declined 1.5% y/y (-10.8% q/q saar), extending the -1.6% y/y registered in the previous quarter. Higher frequency, monthly industrial production data showed that the steep contraction in the electronics cluster was a major source to weak overall manufacturing activity. In the first eleven months of 2012, electronics manufacturing activity declined 11.1% y/y, led by the 17.6% y/y decline in semiconductors. This continued the nearly 13% decline in electronics manufacturing seen in 2011, as both a weak global demand and structural declines in several sub-segments continued to weigh on the electronics cluster.

Economic Indicators						
Date	Time	Indicators	Month	Actual	Market Forecast	Previous
02 Jan	0800	SG GDP q/q (annualized)	4Q A	1.8	1.6	-6.3%
	0800	SG GDP y/y	4Q A	1.1	1.4	0.0%
	1100	ID Exports y/y	Nov		-7.0	-7.6%
	1200	ID Imports y/y	Nov		7.0	10.8%
	1200	ID Total Trade Balance USD	Nov		-409	-1547mn
	1200	ID CPI y/y	Dec		4.2	4.3%
	1200	ID Core CPI y/y	Dec		4.4	4.4%
	-	TH CPI y/y	Dec		3.2	2.7%
	-	TH Core CPI y/y	Dec		1.8	1.9%
03 Jan	0900	CH Non-manufacturing PMI	Dec		-	55.6
	1630	HK Retail Sales - Value y/y	Nov		4.2	4.0%
	1630	HK Retail Sales - Volume y/y	Nov		3.7	3.6%
	2130	SG PMI	Dec		49.5	48.8
04 Jan	0945	CH HSBC Services PMI	Dec		-	52.1
	1030	HK PMI	Dec		-	52.2
	1620	TW Foreign Exchange Reserves USD	Dec		-	400.96bn

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